

Central American Bank for Economic Integration

Type of Engagement: Annual Review

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Engagement Team:

John-Paul Iamonaco, john-paul.iamonaco@sustainalytics.com, (+1) 416 861 0403

Ayaka Okumura, ayaka.okumura@morningstar.com

Introduction

In June 2021, the Central American Bank for Economic Integration (“CABEI”) issued the “Social recovery and reconstruction COVID-19 bond - Mexico 2021” (2021 Social Bond) aimed at financing and refinancing healthcare and employment generation related projects. In June 2023, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2021 Social Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Social Bond Framework.¹ Sustainalytics provided a Second-Party Opinion² on the Framework in January 2021, and an annual review for the 2021 Social Bond in July 2022.³

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 Social Bond based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria defined in the Social Bond Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Social Bond Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators (KPIs)
Access to Essential Services – health systems development	<p>Investments to finance operation, maintenance, improvement and development of healthcare institutions, including healthcare attention equipment and/or services, healthcare prevention equipment and/or services. Proceeds under this category should be destined to public healthcare institutions and/or private healthcare institutions located in municipalities with Human Development Index (HDI) below the country's average and that offer free or subsidized healthcare services to vulnerable communities.</p> <p>Definitions of eligible projects and activities⁴</p> <ul style="list-style-type: none"> • Financing construction, operation, maintenance, improvement and/or purchase of equipment for public 	<ul style="list-style-type: none"> • Number of hospitals, clinics and other healthcare facilities built/upgraded • Number of hospital beds financed • Annual hospitalization and in patient care capacity • Annual capacity of surgical care • Annual capacity of outpatient care • Annual amount of non-patented medicines and

¹CABEI, “Social Bond Framework”, (2020), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf

² CABEI, “Second-Party Opinion CABEI Social Bond Framework”, (2021), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_SPO_FINAL-1.pdf

³ CABEI, “Social Bond México 2021 Annual Review”, (2022), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/inversionistas/banco_verde/MexicoSocial2021_Annual_Review_2022.pdf

⁴ Non-exhaustive list of examples of projects and activities

	<p>hospitals and other public healthcare institutions.</p> <ul style="list-style-type: none"> • Support to modernization and operational efficiency improvements of non-profit Health Philanthropic Institutions. • Financing construction, maintenance, improvement and/or purchase of equipment for private hospitals and other private healthcare institutions which provide free or subsidized access to vulnerable communities (living below poverty line, excluded and/or marginalized populations, people with disabilities, unemployed, underserved). • Financing Public-Private Partnership (PPP) and public concession operations related to public health services. • Production of non-patented medicines and vaccines developed and/or distributed by the country's public healthcare system or relate to new infectious diseases and pandemic outbreaks. • Enhance the capacity of healthcare infrastructure, institutions and health workers, to better face infectious diseases and/or pandemics. 	<p>vaccines produced and distributed</p> <ul style="list-style-type: none"> • Number of patients reached • Number of public beds/numbers of total beds financed (public and non-public)
<p>Employment Generation – Micro, small and medium enterprises</p>	<p>Proceeds under this category will be targeted at micro, small and medium enterprises (MSMEs) in order to generate employment and reduce inequalities. Productive activities should be located in areas with HDI below the country's average and/or impacted by natural disasters and/or pandemics and developed by MSMEs (including agricultural ones), according to CABEL's definition of enterprise size based on the number of employees as shown below:</p> <ul style="list-style-type: none"> • Micro Enterprise represents ≤ 10 • Small Enterprise represents $> 10; \leq 50$ • Medium Enterprise represents $> 50; \leq 200$ <p>Definitions of eligible projects and activities:</p> <ul style="list-style-type: none"> • Credit facilities, preferential interest rate loans, grants for planning, expansion through franchises, building new warehouses and/or small manufacturing units, purchase of machinery and equipment to increase productivity for MSMEs, particularly those in the most vulnerable sectors in the Central American region (tourism, manufacturing, agriculture, transportation, etc.), and/or regions greatly impacted by natural disasters and/or pandemics. 	<ul style="list-style-type: none"> • Number of financed small and micro enterprises • Estimated number of jobs created or maintained

	<ul style="list-style-type: none"> • Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business. • Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activity. • Financing towards programs, projects or initiatives that support the preservation of employment levels in sectors of MSME's directly or indirectly impacted by natural and human disasters or pandemics. 	
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Issuer's Responsibility

CABEI is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from CABEI's Social bond. The work undertaken as part of this engagement included collection of documentation from CABEI and review of said documentation to assess conformance with the Social Bond Framework.

Sustainalytics relied on the information and the facts presented by CABEI. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by CABEI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Social Bond Framework. CABEI has disclosed to Sustainalytics that it has allocated 83% (USD 202.81 million) of bond proceeds as of June 31, 2023. CABEI has confirmed that it intends to allocate the remaining 17% (USD 42.52 million) of the bond proceeds by June 21, 2024.

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Social Bond to determine if projects aligned with the use of proceeds criteria outlined in the Social Bond Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 Social Bond to determine if impact of projects was reported in line with the KPIs outlined in the Social Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Proceeds Assigned Based on Eligibility Category

In June 2021, CABEL issued 2021 Social bond of USD 245.3 million in the Mexican market.

Use of Proceeds Category	Intended proceeds distribution by category as of July 20, 2021 (in million USD)	Allocation amount as of June 31, 2023 (in million USD)	Remaining amount to be disbursed as of June 21, 2024 (in million USD)
Access to Essential Services- Health systems development	114.04	71.52	42.52
Employment Generation – Micro, small and medium enterprises financing	131.29	131.29	Fully disbursed
Total	245.33	202.81	42.52

Appendix 2: Impact Reporting by Eligibility Criteria

Access to essential services – health systems development

Project Name	Description
Support for the implementation of the COVID-19 vaccination and care deployment plan in Nicaragua	Acquisition of vaccines and supplies for at least 3.2 million people through the application of vaccines against COVID-19 to prevent the spread of the virus and reduce the number of infections and fatalities.
COVID-19 vaccine acquisition and application project	Provide financial resources to Costa Rica for the purchase and application of the vaccines to immunize its population against COVID-19.
Support for the implementation of the national plan for the introduction of the vaccine against COVID-19 in Honduras	Purchase of vaccines against COVID-19 for the Republic of Honduras.

Project	Country	Number of Vaccination centers enabled	Number of Vaccination distributed	Number of patients attended	Number of units of medical equipment bought/replaced
Support for the implementation of the COVID-19 vaccination and care deployment plan in Nicaragua	Nicaragua	1,011	6,536,640	3,268,320	10,313
COVID-19 vaccine acquisition and application project	Costa Rica	105	7,411,275	3,705,638	N/A
Support for the implementation of the national plan for the introduction of the vaccine against COVID-19 in Honduras	Honduras	1,747	2,869,535	1,434,768	N/A

Employment generation – Micro, small and medium enterprises financing

Project Name	Description
Digital voucher – Panama solidario COVID-19	In response to the COVID-19 pandemic as a nationwide approach, this project aims to support and provide care for vulnerable groups, as well as guarantee the purchase of food, hygiene products and medicines with the purpose of mitigating the situation of food insecurity, increasing unemployment and the halting of income generation.
Partial financing for compensatory economic measures implemented for the COVID-19 emergency in El Salvador	Implementation of compensatory economic measures aimed at mitigating the impacts on the economy derived by actions taken for the prevention and containment of the COVID-19 pandemic, granting monetary compensation of USD 300 to people who do not have a job or permanent income and are economically affected due to quarantine, allowing them to buy food and basic necessities.

Project	Country	Generated and preserved jobs	Number of people covered in emergency care	Number of people covered in risk prevention and mitigation
Digital voucher – Panama solidario COVID-19	Panama	116	613,152	286,848
Partial financing for compensatory economic measures implemented for the COVID-19 emergency in El Salvador	El Salvador	368	560,961	N/A

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